



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Federally Mandated Retirement System for Part-Time Employees

MEETING DATE: June 20, 1991

PREPARED BY: Assistant City Manager

RECOMMENDED ACTION: The City Council direct the City Manager to explore and select a qualified retirement program for all employees not covered by Public Employees Retirement System (PERS).

BACKGROUND INFORMATION: The federal government, as part of its budget balancing measures last fall, mandated that all state and local governmental employees must participate in a retirement plan. If the local agency does not include part-time or temporary employees in a plan, they must be enrolled in Social Security.

Currently the City of Lodi is not required nor does it enroll part-time employees in PERS. As a matter of fact, the City's contract with PERS does not allow part-time employees to be a member. There is legislation now being proposed that would allow this, but there are drawbacks to that method of meeting our requirements.

There are some other alternatives to meeting our requirements other than Social Security. One option is a program by Public Agency Retirement Systems (PARS) a joint powers agency which will offer a program at significantly less cost than Social Security. Another option is to enroll our part-time employees in a deferred compensation plan much like the one we offer our full-time employees.

All of the options are being explored and considered. We believe there are cost effective alternatives to Social Security. Of course, the best alternative will be one which offers the employee a secured retirement plan and provides the City with the most cost effective program which meets the needs of the employee and the legislation.

We are bringing this to the attention of the City Council to advise them of this legislative requirement and the alternatives available.

Action must be taken by July 2, 1991. However, final regulations have not been promulgated. Until these regulations are issued, we do not know which alternative would be the best.

APPROVED: _____

THOMAS A. PETERSON
City Manager

THE
CITY
OF LODI
RECYCLED PAPER

Federally Mandated Retirement System for Part-Time Employees
June 20, 1991

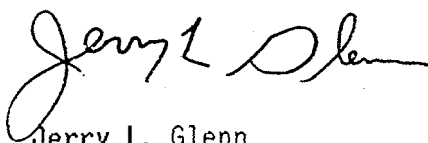
The Internal Revenue Service (IRS) has issued interim regulations. The regulations do give employers some breathing room; they have until the end of 1992 to retro-actively establish a retirement program. The employer, however, **must** give indications that:

- 1) It is reasonable to believe a qualified program will be established.
- 2) Affirmative steps **be** taken to support this belief.
- 3) The program must be put into effect by the end of 1992.
- 4) It must cover employees retro-actively to July 2, 1991.

Beginning July 2, 1991 the City will begin deducting an additional 6.2% from the salaries of part-time employees. This is the amount necessary to cover the cost of the **OASDI** portion of Social Security. If an alternate, **less** expensive, plan is selected, the difference will be refunded to the part-time employee.

FUNDING: Not applicable

Respectfully submitted,



Jerry L. Glenn
Assistant City Manager

JLG:br

Attachment

CCCOM222/TXTA.07A

RESOLUTION NO. 91-112

A RESOLUTION OF THE LODI CITY COUNCIL
DIRECTING THE LODI CITY MANAGER TO EXPLORE AND SELECT A
QUALIFIED RETIREMENT PROGRAM FOR ALL EMPLOYEES NOT COVERED BY
THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS).

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RESOLVED, that the Lodi City Council hereby directs the Lodi City Manager to explore and select a qualified retirement program for all employees not covered by the Public Employees Retirement System (PERS).

Dated: June 20, 1991

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I hereby certify that Resolution No. 91-112 was passed and adopted by the Lodi City Council in an adjourned regular meeting held June 20, 1991 by the following vote:

Ayes : Council Members - Pennino, Pinkerton, Sieglock and
Hinchman (Mayor)

Noes: Council Members - None

Absent: Council Members - Snider


Alice M. Reimche
City Clerk